peppermoney

PRIME
Broker Packaging Guide

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Call **02922 331 220** or visit
www.pepper.money to discover more

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Registered Office: 4 Capital Quarter, Tyndall Street, Cardiff, CF10 4BZ. Registered in England and Wales under Company Number 08698121.
Calls may be monitored or recorded for training, compliance and evidential purposes.

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Important

This document falls within the definition of "*broker document*" in the Pepper Money Broker Agreement (the **Broker Agreement**) between you (the broker) and us (Pepper Money). Expressions defined in the Broker Agreement have the same meaning in this document. This document is subject to and does not to any extent override or supersede the terms of the Broker Agreement and to the extent of any inconsistency the Broker Agreement prevails. This document does not create any obligations or duties on us (our obligations and duties are confined to those in the Broker Agreement) and, in particular, without limitation, this document does not oblige us to offer or provide a mortgage to any applicant.

Pepper is committed to a culture of respect. We expect all colleagues, brokers, partners and suppliers to behave professionally and appropriately at all times, and we will not tolerate harassment, discrimination, bullying or any conduct that makes others feel unsafe, uncomfortable or disrespected.

Introduction

UK Mortgage Lending Limited (Pepper Money) specialises in the provision of tailored Regulated mortgage facilities. The type of mortgage contract offered will be secured against the residential property, as a second Charge following the first Mortgagee's prior Charge.

We are committed to being a responsible lender, ensuring that we act in the best interests of our customers. In doing so we fulfil our obligation, to our customers, of being open, honest and treating them fairly and ensuring that a good customer outcome is achieved.

If a second charge mortgage is deemed not to be in the interest of the borrowers, as a responsible lender we reserve the right to decline the application or ask for additional documents to support the application.

We retain (as part of our criteria) an absolute discretion as to:

- whether or not to accept an application, and
- whether to apply more restrictive, less restrictive or additional criteria than the criteria set out in this document

and we have no obligation or duty to provide information (including reasons) for our decisions.

In the event of an application being declined, it is expected that the Broker notify the customer(s) of Pepper's application decision as soon as possible.

All our second charge mortgages are provided subject to status, with lending only to customers who meet our strict acceptance criteria. This means that when a second charge mortgage application is received and appraised the information collected should show that –

- The customer can afford the product over the proposed repayment term.
- The product is appropriate to the customer's needs and objectives.
- It is the most suitable product from the range of products a firm has available within the scope of services it provides.

We will not discriminate against our customers because of their race, sex, disability, ethnic background or sexuality. We will not discriminate with regard to product eligibility or price by reference, whether direct or indirect, to any protected characteristics under the UK's equality legislation other than borrower age.

How you can contact us:

Sales Operations Department

Enquiries / Referrals: 2ndcharge.referrals@pepper.money

Pending: 2ndcharge.pending@pepper.money

Tel: 029 2233 1220

Customer Services (Post Completion)

Email: info@pepper.money Tel: 0333 014 3125

Technical Support

Email: support@pepper.money Tel: 029 2233 1234

Please ensure all correspondence is addressed to:

Sales Operations Department
Pepper Money
Capital Quarter No.4
1st Floor
Tyndall Street
Cardiff
CF10 4BQ

The Pepper Money Prime Second Charge Mortgage

Second Charge Mortgage Facilities, LTV, Fees

Minimum term– **3yrs** (except Interest Only products = 15yrs) Maximum term – **40yrs***

* Where a term in excess of 30 years is requested, the minimum loan amount required is £150,000 (inclusive of fees)

Variable and Fixed Rate products are available for 2, 3, 4 and 5 year periods (ERCs applicable) and 5 Year Fixed with No and Low ERC.

Other than during a Fixed Rate Period the Interest Rate will be a variable rate that is, or is linked to the reference rate specified in the Offer and that we control. We may vary the Interest Rate by varying the reference rate in accordance with the Offer and Condition 4 of the General Mortgage Conditions. The reference rate will never be less than 0%. For further information please visit www.pepper.money/interest-rates.

Prime Product

Mortgage limit: **£15,000 (exclusive of fees)** to **£1,000,000 (inclusive of fees)**

Mortgage amounts to a maximum **£500,000 (inclusive of fees)** will be subject to a maximum LTV of **85%**

Mortgage amounts **£500,001** to a maximum of **£1,000,000 (inclusive of fees)** will be subject to a maximum LTV of **65%**

ALL AMOUNTS OVER £500,000 (INCLUSIVE OF FEES) PRIME MUST BE PRE-APPROVED

Minimum valuation is £100,000

Loan terms available from 3yrs to 40yrs*

* Where a term in excess of 30 years is requested, the minimum loan amount required is £150,000 (inclusive of fees)

Prime - High LTV (XLTV) Product

Mortgage limit: **£15,000 (exclusive of fees)** to **£200,000 (inclusive of fees)**

Mortgage amounts to a maximum of **£150,000 (inclusive of fees)** will be subject to a maximum LTV of **100%**

Mortgage amounts to a maximum of **£200,000 (inclusive of fees)** will be subject to a maximum LTV of **95%**

Minimum valuation is £85,000

Loan terms available from 3yrs to 40yrs*

* Where a term in excess of 30 years is requested, the minimum loan amount required is £150,000 (inclusive of fees)

Interest Only Products

Mortgage limit: £20,000 (exclusive of fees) to £250,000 (inclusive of fees)Available to **Prime** customers only

with a maximum LTV of **65%**

Minimum term – **15yrs** Maximum term – **40yrs**

* Where a term in excess of 30 years is requested, the minimum loan amount required is £150,000 (inclusive of fees)

Product Options

- 5 Year Interest Only Fixed Rate Loan

Applicants must not be due to retire during the Interest Only period

Applicants must have NO CCJ's or Defaults

Early Repayment Charges

For the 5 years Fixed Rate products there is a 5% charge in year 1, 5% in year 2, 4% in year 3, 3% in year 4 and 2% in year 5

NB: **Further Advances** – the Interest Only product will not be available when the applicant has an existing Pepper Money Interest Only product – other Pepper Money products will be available

If an applicant has an existing Pepper Money loan which is not or has never been Interest Only, they may be eligible for the new Interest Only product

Lender Fees

Variable/Fixed

£15,000 - £200,000 - £595 fee minimum*

£200,001 - £1,000,000 - £1,295 fee

5 Year Fixed No and Low ERC

£15,000 - £200,000 - £1,495 fee

£200,001 - £1,000,000 - £1,995 fee

Early Settlement

The customer(s) have the right to repay this second charge mortgage early, either fully or partially.

For full settlements, the charges are as detailed below:

Rate Type	Year 1	Year 2	Year 3	Year 4	Year 5
Variable*	0%	0%	0%	0%	0%
2 year Fixed/2 year Fixed Interest Only	3%	3%	0%	0%	0%
3 year Fixed	3%	3%	2%	0%	0%
4 year Fixed	4%	4%	3%	2%	0%
5 year Fixed/ 5 year Fixed Interest Only	5%	5%	4%	3%	2%
5 Year Fixed – No ERC	0%	0%	0%	0%	0%
5 Year Fixed – Low ERC	1%	1%	1%	1%	1%

Further Advances

Should you wish to complete a further advance, for an existing Pepper Money customer, we will consider the additional borrowing subject to the conduct of the current Pepper Money account where at least six months satisfactory payments have been made prior to the application. For each such application, you must comply with the requirements in this document, subject to the following additional rules:

- The further advance must be for a minimum amount of £5,000 "new money".
- Maximum LTV, for the total Pepper Money Prime borrowing, including the further advance sum will be 100% , where available, for Prime deals. However, where Pepper Money has the first charge over the security, the maximum LTV permitted will be 85%
- Our Lender Fee applicable to that product will apply to each new mortgage created that includes further advance funds.
- You must ensure that any ERCs applicable to the initial advance forms part of the advice process with the customer(s) prior to submission of the new mortgage.
- When considering your Broker fee please refer to the general Broker Fee guidelines, noted below.
- Where accounts previously consolidated by Pepper Money have been re-run or further significant borrowing has occurred, a full explanation must be obtained. This will be assessed and may affect our decision to lend.
- Not acceptable if currently on a Pepper Money Interest Only product.
- If you are completing a Further Advance and an ERC is applicable this will be payable in full if the product is switching between XLTV and any other product range. Further Advances remaining on the XLTV range will have the ERC waived where the new product has an ERC which is equal to or in excess of the current ERC period.
- It is your responsibility to source a redemption figure from us in order to ensure you are aware of the Total Amount Repayable including any Early Repayment Charges
- Brokers are also asked to consider the level of the Broker Fee charged, particularly when considering the amount of new monies being borrowed and assessing whether the outcome is appropriate for the customer.

For all business referred you will be responsible for all costs incurred arising from the set-up of the mortgage.

Broker Fees

Pepper Money believes that broker fees and their structure are a matter for the internal governance and compliance of each brokerage. We are also of the opinion that individual brokers, as regulated entities in their own right, are best placed to decide on the appropriateness of each fee charged. It is your responsibility to ensure that all fees charged should be fair, reasonable and not excessive.

When determining whether a charge is excessive, your considerations should include:

- the degree to which any charges are an abuse of the trust that the customer has placed in your firm.
- whether any conflicts of interest arise between potential broker fee levels and the need to offer the most suitable mortgage to customers, and how these can be managed by you to ensure a fair customer outcome.
- the amount of your charges for the services or products in question compared with charges for similar products or services on the market.
- the nature and extent of the disclosure of your fees and charges to the customer.

As part of Pepper Money's Broker due diligence review programme Pepper Money will check whether Broker's have a fee charging policy that forms the basis for setting fees for mortgage applications.

Broker Fees and Commission

Broker Fees and Commission will be paid twice weekly:

- Commission and Fees due for completions from Monday to Wednesday will be paid on Friday of that week.
- Commission and Fees due for completions on a Thursday and Friday will be paid on the Tuesday of the following week.

- Each payment date would move back by 1 day if impacted by a Bank Holidays.

You will receive a statement confirming your mortgage completions together with a breakdown of your payment. It is imperative that you inform us immediately, in writing, of any change to your bank details to ensure you receive your payments correctly. Please refer to your Pepper Money Broker Agreement for further details.

If a loan is redeemed within 6 months, Pepper will claw-back the commission payment. If commission exceeds £4,000 (capped at £10,000), the claw-back period will be extended to 12 months.

Security Discharge Fee

A charge of **£95** will be applied to cover the cost of discharging the mortgage following settlement.

For borrowers living in Scotland, an additional fee of **£220** will be payable for arranging the discharge of the security (to cover Scottish Land Registry charges).

Purpose of the Second Charge Mortgage

You must ensure that the purpose of the mortgage is clearly stated in SWAN. We will lend for the majority of purposes including:

- To repay a family member
- To purchase a share in the freehold
- To extend the lease of the subject property
- Inheritance tax
- Funding the purchase of a residential investment property
- Income tax repayments
- School Fees
- Home Improvements
- Debt Consolidation

We will also consider lending for the following, subject to evidence and a review of the individual circumstances of the customers and pre-approval:

- Business purposes
- Matrimonial settlements
- Gift to family member

Where the mortgage is being used for debt consolidation, payments will be made directly from us to the creditor via electronic payment. We may pay your creditors by an alternative method if we consider it more appropriate.

You must ensure that in each case all outstanding credit is declared and entered onto the relevant section of SWAN. Details for consolidation must be consistent with the information provided by the Equifax credit search. Any material differences may require documentary evidence.

Please ensure you provide copies of statements confirming the correct bank details when you submit the case. Currently, these are: Ratesetter, Uncle Buck, Zopa, Oakbrook Finance, American Express, Likely Loans and Next. This is not an exhaustive and definitive list and is subject to change.

There are certain companies where, due to daily interest, we will require a settlement figure on the day of completion. Currently, these are: Ratesetter, Zopa, Tesco loans and Creation loans. This is not an exhaustive and definitive list and is subject to change.

All outstanding credit to be cleared, must be paid in full. The only occasion where we will part-settle credit is where there is insufficient money remaining to do so in full. In this instance, we will clear what we can from the Pepper

Money mortgage proceeds and add 3% of the remaining debt back into the system for affordability purposes. This will not apply to loans, HPs or Fixed Term accounts.

Where cashout is **£15,000** or above, in all cases, you must provide a comprehensive breakdown of this.

Where cash out is **£100,000** or above, you must provide a comprehensive breakdown of this. We will require quotes for the works being carried out and will request proof of planning permission (where applicable). If the quotes do not cover the full cash out amount, please ensure a full breakdown of remaining funds is provided.

Where cash out is for the purchase of a residential investment property we will NOT require proof of savings and a mortgage illustration if the applicant owns more than 4 rental properties. In this instance, we will request our Pepper BTL Property Schedule form to be completed and provided that the properties are self-funding we will not factor the additional mortgage costs into affordability.

Where background BTLs exist, we no longer require ASTs, Land Registry searches, or credit searches for the BTLs. If the credit search shows acceptable mortgage payment conduct, then we only require our BTL Property Schedule form to be completed to evidence the portfolio is self-funding. Where the portfolio is not self-funding, we will include the shortfall as expenditure in our affordability assessment.

Help to Buy Process

Pepper Money will accept applications where the purpose is to clear a Help to Buy charge. In these instances we will require to pay the funds to the applicants Solicitor dealing with the transaction. A settlement figure for the Help to Buy Loan and an undertaking from the Solicitor will be needed before any offer will be made.

When we receive the signed Mortgage Deed we will need confirmation from the solicitors they are in a position to receive the funds and complete on the transaction. We will not complete until we have this.

If the Help to Buy Loan is serviced by Target, the process is slightly different. Before offer we will require:

- Copy of the solicitors undertaking to Target
- Solicitors bank details for completion
- Copy of Targets redemption figure

We will then condition any offer to receive a copy of Targets Authority to Complete document as well as an up to date settlement figure before completion. Once those have been received, we will confirm with the Solicitor that they are in a position to complete.

Payment Instalments

First instalments are payable one month from the date of completion.

Payments by borrowers must be made by Direct Debit from a personal bank account only.

Electronic Payment Transfer is available for customers to have their cash-out funds transferred directly to their bank account. There is no additional charge for this process.

Flexible Features – Overpayments

The customer(s) are able to make overpayments or lump sum payments of part at any time, without penalty. Provided the overpayment or lump sum payments of part is more than the monthly payment they will have the option to either:

a) keep future payments the same and reduce the remaining term or
b) reduce future payments and keep the remaining term the same.

Applicants

Age
Minimum age – **21**

Maximum age at the end of the term: **80**

In the instances where customers will not meet our normal age criteria Pepper Money will review these applications, for pre-approval, on a case by case basis.

Customer Planned Retirement Age

You must ask each applicant to confirm his/her planned retirement age "Customers Planned Retirement Age" (**CPRA**) up to a maximum age of 75.

Where the CPRA is not known, you should use the applicable State Retirement Age. Professions where retirement happens earlier than state retirement age (i.e. Police, Fire Fighters etc.) should confirm if they intend to continue working in a new position post-retirement.

Where the customer will be working beyond their 66th birthday, they will be required to sign a Working Age Form (further details can be found below).

These applications can be submitted in the normal way.

Proof of Residency

Satisfactory proof of residency for all applicant(s) for the current year must be provided. This can be proven from the voters roll. Where the applicant is not found on the Voters Roll, proof of residency must be provided for the latest year. Online statements are acceptable. This evidence must include the customer(s) name, address and be dated within the calendar year or the last 3 months. If providing a bank statement, this must be a full bank statement (filtered unacceptable).

Applicant Status

The maximum number of borrowers permitted per application is **two**.

We accept sole applications for a married or civil partnered couple where the spouse or partner isn't on the mortgage or land registry providing a Consent Deed is signed. Where you are submitting a joint application you must ensure that each applicant signs and completes all documents relevant to the application. Although the spouse or partner is not required to obtain independent legal advice they must be informed of their right to do so, prior to signing the Consent Deed.

Where an applicant is divorced, you must ensure that this is indicated as we may require evidence that the other party has no remaining rights to the property.

We have the right to decline or reject any application where we suspect our second charge mortgage was applied for fraudulently or where we suspect any suspicious or illegal activity has taken place.

Customer Due Diligence (CDD) and Know Your Customer (KYC)

As per the Money Laundering Regulations 2007 and other applicable laws and regulations, you must identify the applicant(s) and verify their identity on the basis of documents, data or information obtained from a reliable and independent source.

We use Equifax to ensure customer identity verification and authentication services that minimise the risk of fraudulent applications and subsequent losses that will satisfy our requirements for CDD / KYC.

If an applicant fails the Equifax EID process, we will require suitable evidence (as detailed below) of Proof of Identity and Proof of Address in each instance.

Proof of Identity

If an applicant fails the Equifax EID, **1** of the following will be required:

- Current UK/EEA/EU signed passport
- EEA Member State identification card
- Current FULL UK/EEA/EU driving licence
- UK shotgun or Firearms Certificate with Photo ID
- Blue disabled driver's pass

If the applicant is unable to provide a document from the table above, **2** documents are required. We require 1 from each of the columns in the table shown below to confirm identity:-

Government issued documents	Other documents
• Current FULL UK driving license • HM Forces ID card • Recent evidence of entitlement to a state or local authority funded benefit (including housing/council tax benefit, tax credit) • Recent evidence of entitlement to a local authority educational or other grant) • State pension notification letter confirming the right to benefit	• Most recent mortgage statement • Local authority council tax bill or statement for current year • Utility bill dated within the calendar year or the last 3 months (excluding mobile phone bills) • Bank account/Credit/debit card dated within the calendar year or the last 3 months • TV licence letter or direct debit schedule

Proof of Address

If an applicant fails the Equifax EID, **1** of the following will be required:

- Current FULL UK driving license
- Benefits or pensions notification letter confirming the right to benefit or account statement showing pension credit (dated within the calendar year or the last 3 months)
- Most recent mortgage statement
- Local authority tax bill/council tax bill for current year
- Utility bill within the calendar year or the last 3 months (excluding mobile phone bills)
- Bank account/Credit/debit card statement dated within the calendar year or the last 3 months
- TV licence letter or direct debit schedule

The same document cannot be used to verify both the identity and the address.

All documentation cmust be certified by an FCA regulated broker or an FCA regulated sub broker introducing to a broker on the Pepper Money panel.

For identity and proof of address documents, copies must be certified that original document(s) have been seen and signed and dated by the FCA regulated broker or sub broker as outlined above.

Foreign Nationals

All applicants must:

- Live and work in the UK (*Applicants residing in the Isle of Man and Channel Islands are not acceptable).*
- Be UK taxpayers (where income is being used in support of the application).
- Provide evidence of a minimum employment history of 12 months in the UK (where income is used in support of the application).
- Have resided in the UK for the last 3 years.

Sole Applications

We'll accept income on a sole application when:

- An applicant is an EEA National with Settled status (a Pre-settled status is unacceptable for sole applications).
- An applicant is a non-EEA National with Indefinite Leave to Remain in the UK.

Joint Applications

For Joint applications, at least one applicant must have Indefinite Leave to Remain in the UK or a Settled status. We'll accept their income when:

- An applicant is an EEA National with a Settled status
- An applicant is a non-EEA National with Indefinite Leave to Remain in the UK

Income of the joint applicant can also be used where they are an EEA national with Pre-Settled status or a Non-EEA national without Indefinite Leave to Remain in the UK if they have one of the following Visa's with at least 12 months remaining at the point of submission to the office:

- Tier 1 Entrepreneur
- Tier 2 Skilled worker
- Senior or Specialist Worker
- Family (this does not include 'dependent')
- Health and Care Worker

Joint applicants are acceptable without Indefinite Leave to Remain in the UK, Settled status, Pre-settled status or an acceptable Visa, however we will not accept their income for affordability.

All non EAA applicants **must** submit a certified copy of a valid passport prior to offer.

Applicant Credit History

You must ensure that all applications are properly entered onto the Pepper Money system. Equifax will complete a credit score on each applicant. Applications over 90 days old will need to be re-scored and be subject to a further credit search.

You must ensure that all maiden names and any previous civil partner surnames are entered into the system and that all other previous names are declared.

Undischarged bankrupts or applicant(s) with an existing Individual Voluntary Arrangement (**IVA**) are not acceptable. If an applicant is a discharged bankrupt or has a discharged IVA, this is acceptable provided it was discharged at least 5 years ago. If discharged under 5 years ago, please contact us and provide details before submitting the application.

Payday Loans, Home Credit and Gambling Debt

Where you or us have reason to suspect that any applicant has a payday loan, home lending credit or gambling debt or payment obligations, you must provide further details in order to allow us to review the case as a whole and make an informed decision. If we decide to approve the application, we are likely to include a condition that the proceeds of the second charge mortgage are applied in clearing each such debt or liability.

Debt Management Plans

Active Debt Management Plans are acceptable on Prime subject to there being no missed payments on the DMP in the last 12 months and the DMP being cleared with the proceeds of the Pepper loan.

We will require a 12-month payment profile for the DMP.

Employment and Income

Employed Applicants

Pepper Money cannot accept employed income beyond age 75. See 'Customer Planned Retirement Age' section for further details. You must obtain details and evidence of each applicant's employment history throughout at least the past twelve months.

For the primary source of employed income only (will not apply to additional jobs):

You will need to refer any cases where an applicant has had more than two employers within the last twelve months.

You must ensure that each applicant is UK based and subject to UK taxes.

For each employed applicant you must obtain and submit at least **two** of the most recent consecutive monthly or 6 weeks' worth of weekly payslips. Payslips should be dated within the last 2 months at the point of application.

Family Firms - where the applicant is employed by a family firm, independent evidence of income is required, we will consider a letter from the firm's company accountant along with two non-handwritten payslips where paid monthly or six non-handwritten payslips where paid weekly, but full bank statements may also be needed. The most recent payslip submitted must be dated within two months of the Pepper Money second charge mortgage application.

Where a payslip is handwritten, word processed or manually produced, you must obtain and submit a current full month full bank statement or P60 (not hand written) which supports the relevant payments. Employers' references are also acceptable as back-up.

Where an applicant's current employment started less than **one month** ago, you must contact us with details in advance of submitting any application and the applicant must be able to demonstrate continuity of employment.

If an applicant is within an employment probation period, you must obtain at least **two** of the most recent consecutive

monthly or 6 weeks' worth of weekly payslips along with a payslip / P60 / P45 from the previous employment and the full employment history throughout the twelve months prior to the start of the probationary period. The most recent payslip submitted must be dated within two months of the Pepper Money second charge mortgage application.

Applicants that fall under any of the following are not eligible:

- Temporary contracts
- Seasonal employment
- Supply teachers
- Applications based solely on benefits

Self-Employed Applicants

Pepper Money cannot accept self-employed income beyond age 75. See 'Customer Planned Retirement Age' section for further details.

Self-Employed	
Sole Trader – self-employed person who is trading as a sole proprietor of a business that is entitled to all profit but is liable to all losses **Partnership –** self-employed person where two or more people make up the total ownership of the business. Each person shares in the profits and losses of the business **Ltd Company Director –** a person who owns at least 35% shareholding of a limited company registered in the UK. Please note that where joint applicants have shareholdings in the same limited company we will combine them. So if their combined % shareholding is at least 35% we will treat them as self-employed.	Prime - Latest 2 years HMRC produced SA302s *OR* fully completed Accountants' Certificate which confirms the last two completed years figures *OR* Latest 2 years Accountant Produced Tax Calculations with corresponding Tax Year Overviews from HMRC website. If using the latest SA302s or Accountant Produced Tax Calculations with corresponding Tax Year Overviews, they will be acceptable at Offer for up to 12 months from tax year end e.g. 5th April ***OR*** 22 months, e.g. 31st January, with the latest months' full business bank statements. If using an Accountants Certificate ***with a projection,*** it will be acceptable at Offer for up to 22 months from the accounting period year end. If using an Accountant's Certificate without a projection, it will be acceptable at Offer for up to 12 months from the accounting period's year end OR 22 months with the latest months' full business bank statements.

Self Employed property investors/developers/consultants are not automatically acceptable and must be referred in every instance.

If the applicant is an Accountant and produces his own accounts, we will require independent verification of income via SA302's (as above). We will consider a letter from a Senior Partner of the Accounting firm by referral.

All Accountant's Certificates should be sent to and received directly from the acting accountant and not directly to the applicant(s).

If an applicant has an interest in more than one Limited Company, then the above requirements are needed for each business

To ensure you correctly package your deal please ensure you adhere with the following instruction:

We will accept our completed Accountants Certificate provided it is completed and signed by a member of a recognised accounting body (see below list).

- The certificate should be on a Pepper Money template and completed fully – this can be downloaded from the documents section in SWAN
- If an accountant completes the form on their letter-headed paper, the Accountant Certificate should be addressed to Pepper Money and contain the same information which would be contained in our template

Accountants who are not qualified or do not work for a firm that is a member of a professional accounting body:

If you supply an Accountant's Certificate from a non-qualified accountant, you will also be asked to supply the latest two years SA302's and if either are greater than 12 months old, the latest months full bank statements will be required.

SA302's

The following details must be visible on the online Tax Calculation:

- HMRC logo
- Unique Tax Reference (UTR)
- Customer's name
- Tax year and the following wording: -
  "This is a copy of information held on your official online Self Assessment tax account with HM Revenue & Customs", and "Submission is 100% complete."

The following details must be visible for customers who submit paper based Tax returns:

- The paper based tax calculation form must say SA302 in the bottom left hand corner of page one
- The full Tax Calculation will always appear on page three. If the customer's information on page one about payments becoming due to does not run to two pages then there will be no page two, the calculation always starts on page three
- A copy of the Tax Overview should also be provided as above

Tax Calculations produced by commercial software

These must show the following:

- Unique Tax Reference (UTR)
- Customer's name
- Tax Year

Tax Year Overviews

The following details must be visible on the online Tax Year Overview: -

- HMRC logo
- Unique Tax Reference (UTR)
- The Statement "this is a copy of information held on your official online Self-Assessment tax account with HMRC"
- The Tax year (to allow cross reference with the Tax Calculation)
- For each Tax year, the "Income Tax and National Insurance Due" must exactly match the corresponding Tax Calculation document

Requirements for Accountant's verification

Qualified Accountants are those who:

a. Are a member of a professional body which is listed for you; or
b. Are signing on behalf of a professional firm that is approved in accordance with Pepper Money's confirmed list

Professional Body	Designatory Letters	Qualification
Association of Authorised Public Accountants	AAPA or FCCA	AAPA
Association of Accounting Technicians	MAAT or FMAAT	AAT
Association of Chartered Certified Accountants	ACCA or FCCA	ACCA
Association of the Institute of Chartered Accountants in England and Wales	ACA or FCA	ACA
Chartered Institute of Management Accountants	ACMA or FCMA	CIMA
Chartered Institute of Public Finance Accountancy	CPFA	CIPFA
Chartered Institute of Taxation	CTA or FTII	CTA
Institute of Chartered Accountants in England & Wales	ICAEW	ICAEW ACA FCA
Institute of Chartered Accountants in Ireland	ICAI	CA
Institute of Chartered Accountants in Scotland	CA	CA
Institute of Financial Accountants	AFA or FFA	IFA
The Association of International Accountants	FAIA or AMIA	AIA

Self-Employed – Professionally Qualified

If an applicant has been trading for one year and is professionally qualified in any of the following professions, you may class them as "Professional Self-employed".

- Accounting
- Architect
- Dentistry
- Law
- Medicine
- Optometry
- Pharmacist
- Veterinary

The evidential standards and timescales for self-employed customers detailed above for sole traders / partnerships / limited companies will apply for professional self-employed also. A sole trader cannot verify their own income.

Retired Applicants

For sole applicants - if applicant is retired at the point of application and using pension income – max age is 80

For joint applicants – we will accept applications where one applicant is retired at the point of application and one applicant is working subject to the term not exceeding the Customer Planned Retirement Age for the working applicant and neither applicant being older than 80 at the end of the term.

For a retired applicant, you may include:

- Income from a state and/or private pension

Acceptable Pension Evidence

State Retirement Pension:

- Annual statement. This can be requested by telephoning 0845 3000 168 or online at www.thepensionservice.gov.uk
- Letter confirming pension income from the Department for Work and Pensions (DWP).

Private Pension:

- Annual statement
- Letter from pension provider A letter from a qualified Accountant or Actuary

Company/Occupational Pensions:

- Annual statement.
- Letter from employer / pension provider
- A letter from a qualified Accountant or Actuary

For a list of the professional accountant qualifications acceptable to Pepper Money, please refer to the self-employed applicant's section above.

Income Assessment

Self-Employed Applicants

Tax Calculations or SA302's (Sole Trader, Partnerships and Ltd Company Directors)

- We will use the latest years' earnings provided the latest tax calculations and TYOs or SA302s are no more than 12 months old and where there is a clear upward trend in income.

  If the tax calculations and TYOs or SA302s are more than 12 months old, we will require the most recent months' full business bank statements to be able to consider using the latest years' earnings.

Or

- If the latest year is lower, we will use this figure provided a sufficient explanation for the decreasing income is provided

Note that the tax calculations and TYOs or SA302s cannot be older than 22 months e.g. 31st January

Limited Company Directors & Accountants Certificate

- We will use the latest years' earnings provided the latest tax year end is no more than 12 months old and where there is a clear upward trend in income (considering the dividends against shareholding and overall profit)

- If the account certificate is more than 12 months old, we will require a projection or the most recent months' full business bank statements to be able to consider the use of the latest years' income (considering the dividends against shareholding and overall profit)

Or

- If the latest year is lower, we will use the lower provided a sufficient explanation for the decreasing income is provided (considering the dividends against shareholding and overall profit)

Employed Applicants and Additional Incomes

You must calculate income using the applicant(s) gross annual salary.

You may include a maximum of **50%** of the following additional income:

- Child Maintenance (Written Agreement exists) - we will need the latest 3 months' filtered bank statements (at point of application) to evidence payments
- Child Maintenance (Written Agreement does not exist) - we will need the latest 6 months' filtered bank statements (at the point of application)
- Carer's allowance
- Investment income – Suitable documentary evidence

You may include up to a maximum of **100%** of the following additional income:

- Overtime/Bonuses/Commission:

  - Regular Bonus, Overtime and Commission income will be calculated by deducting the guaranteed income

(basic, allowances, inner city weighting etc.) and annualising what remains.
  - Where less than 4 months (April – June payslips) into a new tax year, the latest P60 or March payslip and the 2 most recent payslips will be required.
  - Where more than 4 months (July payslip onwards) into a new tax year, just the 2 most recent payslips will be required.
  - If we need a P60 and it shows lower variable income than the 2 most recent payslips, we'll normally use the lower figure. However, we may consider using more on referral if you provide an acceptable reason for doing so e.g. time in job, pay increase.
  - Where there has been a recent change of job, we'll want at least six-months' in current role.
  - For annual bonuses, we'll want to see evidence of at least the last two annual bonuses. We'll either use an average, or the lower figure if more recent.
- Land & Property Income / Rental Profits – A minimum of 2 years rental income history is required. There must be a minimum portfolio Income Coverage Ratio (ICR) of 125% (individual properties can have an ICR of less than 125% provided the combined portfolio ICR is 125% or more). We must be satisfied that the income is consistent and sustainable.
  - The income must be evidenced via an SA302.
  - Where a BTL mortgage is not found on CAIS (credit search), please ensure this is added to the commitments page in SWAN.
- Foster care allowance:
  – Latest 2 years proof. This can be 2 years' worth of invoices or annual statements supplied by the local authority/provider.
    - We will use the average over the 2 years.
    - We must be satisfied that the income is consistent and sustainable.

- Pension income
- Car allowance
- Shift allowance
- "City" weighting
- Working tax credit / Family tax credit – award letter to be provided in all instances
- Child Maintenance (Written Agreement exists) - we will need the latest 3 months' filtered bank statements (at point of application) to evidence payments
- Child Maintenance (Written Agreement does not exist) - we will need the latest 6 months' filtered bank statements (at the point of application)
- Invalidity/disability benefits/PIP (Personal Independence Payment) – award letter to be provided in all instances
- Universal Credit - Can only be used where the benefit is a replacement for Child and Working Tax Credits. Require last 3 monthly Universal Credit statements with the lowest figure being taken, all income declared to HMRC will be cross referenced with the pay slips.
- Scottish Child Payment – award letter to be provided in all instances

Child related income and benefits will only be acceptable for children who are below 14 years of age at the time of application. Child Benefit is calculated automatically by the SWAN system.

Please note that we do not accept Employment Support Allowance (ESA) payments as additional income.

YTD income can be used from tax month two onwards (i.e. May).

Provided commission is consistent and sustainable, we will accept 100% provided a suitable track record is obtained. Applicants will be required to submit the last year's P60 to demonstrate this track record.

Where using foster care income, the applicants will not be in receipt of Child Benefit for those children. If the children are below 14 years of age, we will need to deduct child benefit from the affordability calculation. Where using Scottish Child Payment, please enter this as "Other Benefits" within the "Income / Expenditure" tab in SWAN.

Second job income is acceptable up to 100% provided:

• The total hours worked across both roles are sustainable long-term
• The two roles are of a similar nature (i.e. the applicant is a nurse for example)
• The applicant has been in receipt of the income for at least 6 months, not in a probationary period
• Each position is permanent and is not seasonal employment

Maternity benefit will be considered. Where the applicant is returning to work within two months, we will look to use the basic annual salary subject to evidence of the return to work date agreed with the employer and confirmation of returning salary.

When reviewing employed income, we will not ordinarily take into account any pension contributions as these contributions are considered to be discretionary expenditure.

Pension contributions will be taken into account if the pension income is required to support the Second Charge Mortgage either at application stage or during the term of the loan. We will also include contributions if a lump sum repayment is required to redeem either the First or Second Charge Mortgage.

Affordability, Suitability and Sustainability
Pepper Money assesses each second charge mortgage application against a set of detailed criteria, allowing us to maintain a consistent approach in our lending decisions. In fulfilling our obligations to lend responsibly and to treat customers fairly if a second charge mortgage is deemed not to be in the interest of the customers, as a responsible lender we reserve the right to decline the application or ask for additional documents to support the application. This means that when a second charge mortgage application is received and appraised the information collected should show that:

- The customer can afford the product over the proposed repayment term.
- The product is appropriate to the customer's needs and objectives.
- It is the most suitable product from the range of products a firm has available within the scope of services it provides.

Being able to satisfactorily assess a customer's affordability, to be able to repay both the sums borrowed and the associated interest, is a critical consideration factor within the overall customer application process leading to the provision of a good customer outcome.

When assessing whether a customer will be able to pay the sums due Pepper Money will take full account of:

- The income of the customer, net of income tax and national insurance
- The customer's committed expenditure and
- The basic essential expenditure and quality of living costs of the customer's household
- Loan to Income (LTI) calculation – any case that exceeds '6' must be referred for approval

To calculate LTI, you will need:

- Outstanding mortgage balance
- Pepper Money's loan amount (inc. fees)
- Gross annual income

e.g. O/s mortgage balance = £70k, Pepper Money loan £20k + £1k fee + £595 lender fee, Income £30k

£70k + £20k + £1k + £595 = £91,595 divided by £30k = **3.05 LTI**

For the purposes of completing a detailed assessment, affordability should be viewed looking at –

- The current overall financial position (initial affordability). The review of initial affordability will depend on the current net income and outgoings once the proposed mortgage is in place. In some instances, items of discretionary spending could be identified that a customer could consider reducing substantially or eliminating altogether to make the proposed mortgage payments more affordable. If it is identified that a change in budgeting priorities is required to support the suitability of any recommendation this detail needs to be noted within the suitability documentation.

Loans and HPs with <6 months to run can generally be ignored unless the overall profile of the application causes concern about the applicant managing that commitment for the remainder of its term. Particular attention should be given to cases with lower residual incomes and/or low declared expenditure.

Brokers should ensure that all forms of income are declared to assist in the assessment of their applications.

Pepper Money reserve the right to challenge the plausibility of any declared expenditure and will, where appropriate, request further evidence to support this. The evidence requested may include, but is not limited to:

- Full Bank Statements for each of the applicant(s) accounts
- Utility Bills
- Other invoices/account statements

First Document Pack Issue

When you have discussed a proposed mortgage contract with a customer and they have confirmed their intent to proceed the first document pack can be issued to the customer(s).

The first document pack will be made up as follows –

- Mortgage Illustration – this document provides a detailed illustration of the proposed mortgage that has been recommended to and initially accepted by the customer as a suitable product. Please note that you are no longer required to upload a copy of the Mortgage Illustration (ESIS) to SWAN.
- Pepper Money Application Summary- this document will detail the information provided by the customer, during the fact find conversation and will reflect what you have input into SWAN..
- Pepper Money Application Declaration (unsigned version) – this document contains important information on who we are, how and why we collect, store, use and share personal information, the customer's rights in relation to their personal information and how they can contact us with regards to their information.

The customer does not need to sign or return any of the above documents.

Binding Offer Issue and Reflection Period

In issuing the Binding Offer Pepper Money confirms that the proposed second charge mortgage contract has been successfully underwritten and will proceed on the basis of the detail contained in the Binding Offer. The provision, to the customer, of the Binding Offer then triggers the commencement of the 'reflection period' during which the customer has at least seven days to consider the binding offer. In addition to the binding offer document, the following papers will be issued for the customer's attention.

- Mortgage Deed / Standard Security. The customer(s) will need to sign this legally binding document, obtain witness signatures and return the Deed direct to Pepper Money. Completion and return of this document, both signed and witnessed, will act as written confirmation that the customer is in agreement to proceed with the mortgage, detailed in the Binding Offer. Applicants must be present when the Mortgage Deed or Standard Security is witnessed. The witness must be fully known to the applicant(s) and must be a permanent UK resident at the time of witnessing the signatures. For the signing of the Mortgage Deed (E&W), the witness must NOT be a relative of the applicant(s),reside in the security address or be involved in the transaction i.e. the broker or the introducing broker. For the signing of the Standard Security (Scotland), the witness must NOT be a

relative of the applicant(s) or reside in the security address.

- General Mortgage Conditions. This booklet details the specific conditions relating to the second charge mortgage.

- Waiver of reflection period. In some instances, Pepper Money recognises that customers will wish to proceed with their mortgage contract before the natural expiry of the reflection period. If the Deed / Security is returned to Pepper Money within the reflection period we will proceed and assume the customer has withdrawn from this.

- Tariff of Fees leaflet. Confirmation for the customer, for information purposes, of the scenarios when fees will be applied to an account.

- Complaints process leaflet. Confirmation for the customer, for information purposes, of how a customer can register a complaint and how the Pepper Money Complaints procedure operates as a framework for reviewing all logged complaints.

- Application Declaration (signed version). This document is similar to the unsigned version provided during the first document pack (information above), however the customer will need to sign and return this document.

- Where the customer will be working beyond their 66th birthday, they will be required to sign a Working Age Form. The form contains the following statements:
    - You have agreed to a mortgage term with your mortgage adviser that extends beyond the current UK State Pension age of 66, If this is not accurate – please contact your mortgage adviser as soon as possible.
    - You are confident you can meet the mental and physical demands of your role until your planned retirement age.
    - You have no planned job changes that would prevent you from working until your expected retirement age.
    - You understand the risks of working beyond the current UK State Pension age and you are responsible for making mortgage payments. You acknowledge that your home could be at risk if payments are not maintained.
    - You agree to review your mortgage regularly, particularly if there are changes to your financial or health circumstances, or if you need to retire earlier than planned.

The customer(s) will be required to sign and return this document as part of the offer pack.

For all documents, requiring customer signatures, you must ensure that each signature written across all submitted documents matches accordingly. We may request part or all documentation to be re-signed if we feel there is inconsistency across these documents. Please note that for applications which are going through the Docusign (E-Signature) journey, this will not be required as the documents will be signed electronically.

It is your responsibility to check the mortgage offer produced matches your advice. This includes (but not limited to), product, fees and loan amount. *It is not possible to amend these details after completion*.

If there is any issue with an offer you need to contact the Pepper Money office as soon as possible to allow us to rectify.

Underwriting Requirements

In terms of assessing affordability, to successfully complete an initial analysis of an individual customer's income and expenditure details Pepper Money will, in the first instance, apply ONS average expenditure data against each application received, factoring in specific information such as the number of dependents and whether the customer(s) are liable for committed expenditure items such as maintenance payments and / or student loan repayments.

When submitting the customer details, including the information noted above, to gain an initial AIP and indication of the level of underwriting to be applied, it is important that additional information has been gathered from the customer to confirm:

- Income details for primary employment and, where applicable, other jobs along with details of other income sources.
- The customers planned retirement age.
- Whether the customer is liable for any unusually high monthly expenditure items.
- Whether the customer is aware of any foreseeable changes to their current levels of income and expenditure.
- Maintenance / Child Support payments.
- The number of dependents residing at the security address.
- Student Loan Repayment information.
- Childcare.
- Repayment vehicle details should the customer have an interest only first mortgage.
- Property type including number of bedrooms.

In the event that the information returned, concerning either the customer's planned retirement age, unusually high monthly expenditure items or foreseeable changes to current levels or income and / or expenditure, will affect the initial decision and associated underwriting level it will be incumbent upon the authorised Broker to notify Pepper Money of this additional information at application stage. Failure to do so will potentially result in the application moving to a different underwriting stream, once the case has been submitted for underwriting and pay out.

In terms of affordability an application will be deemed to have passed Pepper Money's criteria on the basis of the residual income sum being greater than zero following deductions, from the customer's net income, for basic essential expenditure, quality of living costs and the customers committed expenditure which is made up of the customers current first mortgage payment, the proposed Pepper Money mortgage payment and any unconsolidated debts.

Expenditure Items

The table below outlines our expenditure categories, along with examples of the customer expenditure that should be included in that category (where applicable).

Category	Examples
Food, drink and groceries	Household grocery shopping including alcohol, medicines, healthcare products and toiletries. Include only the cost of food and drink items purchased for consumption at home.
Clothing, footwear and personal effects	Personal effects means items such as contact lenses, hairdressing, hair products, cosmetics etc.
Utilities	Gas, electricity, water and heating oil. Do not include council tax (see below).
Furnishings, household equipment and maintenance	Include furniture and furnishings, carpets, glass and tableware, appliances and tools for house and garden etc and services for routine household maintenance. Do not include the cost of any existing credit agreements.
Transport and travel	Include fuel, vehicle tax and maintenance, parking and regular public transport costs including season tickets and taxis. Do not include the cost of buying a vehicle.
Communication	Internet subscription fees, telephone and mobile phone, TV, video, satellite rental, cable subscriptions and TV licence.
Recreation, restaurants and hotels	Concerts, cinema & theatre, sporting events, gym fees, books, magazines, eating and drinking away from the home, hobbies, holidays and pets.
Insurance	Home, car, medical and other insurance policies that will continue after your loan is completed.
Council tax	We assess council tax on the basis of 12 equal monthly instalments. Please therefore submit the annual amount divided by 12.
Childcare costs and School fees (if applicable)	Nursery, afterschool or childminder fees
Adult care costs (if applicable)	Costs associated with caring for a dependent adult
Maintenance & CSA costs (if applicable)	
Ground rent and service charges (if applicable)	
Mortgage Endowment or other Mortgage Repayment Vehicle (if applicable)	
Cigarettes / Tobacco (if applicable)	
Other	Any other continuing monthly expenditure that is not included above. Do not include the cost of servicing loans, credit cards or other borrowing.

Verifiable Expenditure Items

Pepper Money recognises that, for the purposes of referring applications, the only lower expenditure items that can be in scope for assessment are those where formal documentary evidence can be supplied to confirm a lower figure. These items are detailed below:

- Utilities (water, gas, electricity – please note if the applicant(s) do not pay by direct debit, satisfactory bills will be required to evidence seasonal expenditure)
- Council Tax
- Telephone (land line and mobile)
- Insurances (buildings, contents, car, life)

- Settled credit – this will apply in the isolated instances where a customer's credit file has, at the time of the search, not been updated to confirm a recently settled item of credit. Monthly payments for items of current loans, HPs or Fixed Term Agreements with 6 months or less remaining, will automatically be excluded from the Pepper Money affordability assessment calculation.

In confirming the items noted above, where documentary evidence is available, Pepper Money understands that each customer application will be unique and that there may be lower expenditure items, over and above those noted above, that an introducing Broker may wish to bring to Pepper Money's attention as part of the referral process. In these instances a mandated Pepper Money underwriter will review the enquiry and, where satisfied that the application can proceed, specify the evidence to be provided.

We base our council tax expenditure over a 12 month period as stated on the Application Summary. If during the course of processing the council tax figure is amended to reflect a 12 month period, we will require written confirmation from the applicant(s) that they are aware and understand that we have based their affordability on their council tax payments being over a 12 month period.

Supporting Documentation

For employed applicants you must ensure that we are provided with the following documents with every case submitted:

- Applicant(s) Bank Details (Account Holders' Name(s), Sort Code & Account Number from the account they would like to pay the mortgage from).
- Two of the most recent consecutive monthly or 6 weeks' worth of weekly payslips and the most recent payslip must be dated within 2 months at the point of application
- Acceptable evidence of name and address ID, as detailed in the Customer Due Diligence section of this document, if proof is not available through the EID process.
- We will accept copies of all documents other than the Mortgage Deed/Standard Security, Independent Legal Advice Certificate (ILA), Non EU passports

For self-employed applicants you must ensure that we are provided with the following documents with every case submitted:

- Applicant(s) Bank Details (Account Holders' Name(s), Sort Code & Account Number from the account they would like to pay the mortgage from).
- Acceptable evidence of name and address ID, as detailed in the Customer Due Diligence section of this document, if proof is not available through the EID process.
- We will accept copies of all documents other than the Mortgage Deed/Standard Security, Independent Legal Advice Certificate (ILA), Non EU passports

We have a vast selection of documents that you may download from the Pepper Money system "document library" to

assist you with the processing of applications.

Please refer to the notes below concerning additional documentation requirements in the event that the proposed papers are outside our normal income and ID criteria.

Non Benefitting Party

When submitting a mortgage application, in all instances where a person who is a party to the mortgage but has no financial benefit for the mortgage proceeds, you must obtain an original signed Independent Legal Advice (ILA) form that has been witnessed and signed by a Solicitors Regulation Authority (SRA) registered Solicitor who, in doing so, confirms that the applicant has understood fully the implications of taking out the mortgage and the risks associated. It is the responsibility of the solicitor to agree the method that they wish to adopt in providing the advice. At the time of visiting the Solicitor with the ILA form, the person who is the non-benefiting mortgage party, must also take the Binding Offer and Mortgage Deed or Standard Security for review and witness.

Proof of ID

a) All non EU applicants **must** submit an original valid passport with their application and also include evidence of their permanent right to reside in the UK (or one of the acceptable Visa types as listed above)

b) All EU applicants **must** submit proof of their settled or pre-settled status

c) All evidence submitted, excluding passports, must state the security address and full name of the customer. Separate proof of ID (name and address) must be provided for each applicant.

Mortgage Information

Existing/Prior Charges

In the first instance, we will attempt to validate satisfactory mortgage conduct by assessing the credit report. Where credit report data exists, we will not require any further evidence as standard.

Where we are unable to evidence mortgage conduct via the credit report, we will require the following:

A mortgage history profile from any known credit reference agency, BSQ/mortgage questionnaire or mortgage statement as well as filtered bank statements to evidence payment history.

A concurrent mortgage payment history of six months must be evidenced on each case. You must ensure that this is up to date and no older than 90 days at completion of the second charge mortgage.

Pepper Money will only provide a second charge. We can only take a third charge when the first and second charges are with the same lender and the second charge relates to a further advance or the second charge relates to security to a local authority for claw back of [right-to-buy] discount.

In each case where a restriction has been registered by the first mortgagee you must obtain and submit an unconditional consent from the first mortgagee in favour of UK Mortgage Lending Ltd in relation to the Pepper Money mortgage.

You should check the following points prior to sending a First Mortgage Consent to us

- We must have the Name and Job Title of the person who signed the document
- Consent is not acceptable where the individual who has signed has PP'd for the signatory
- If a loan amount is mentioned within the document, this needs to be accurate and based on the gross loan
- Where there is more than one Title number then all should show on the consent
- Documents should not be marked as "draft" or "confidential"

We will not be able to lend behind any mortgage lender where they require us to sign a Deed of Postponement/Priority which has the following or similar clause:

"The Lender and Second Lender undertake not to assign or transfer the Lender's Mortgage or the Second Lender's Mortgage to any other person without first procuring that that person enters into a deed with the Lender or the Second Lender upon the same terms as this deed"

In each case where a priority is registered against the property you must obtain and submit a letter of no further interest from the relevant priority holder.

Where the fixed rate term of the first mortgage is input as 5 or more years, we may require evidence of the mortgage product. Please note that we will payout before Consent is received where the First charge lender is one of the twenty-one we have on our pre-defined list, the account is not in arrears and if Consent is the only outstanding item:

- Accord Mortgages
- Bank Of Scotland
- Barclays
- Birmingham Midshires
- Clydesdale Bank
- Cooperative Bank
- Coventry Building Society
- Halifax
- HSBC
- Kensington Mortgage Company
- Leeds Building Society
- Lloyds
- Nationwide
- Natwest
- Pepper Money
- Royal Bank Of Scotland
- Santander
- Skipton Building Society
- TSB
- Virgin Money
- Yorkshire Building Society

Mortgage Arrears

Where an applicant has any missed mortgage payment (including in respect of any existing second charges) you must obtain and submit an explanation from the applicant.

It is a condition of our mortgage that all outstanding mortgage arrears must be cleared on or before advance of our mortgage.

We reserve the right to decline an application based on the payment profile of the mortgage account(s).

Flexible and Open Plan Mortgages

Where a restriction has been registered on the Land Registry and the first mortgagee is obliged to make further advances, you need to obtain and submit one of the following:

- confirmation in writing from the first mortgagee of the maximum sum they are obliged to lend
- a completed Deed of Postponement from the first mortgagee confirming the maximum mortgage balance
- written confirmation that any further advances that might be considered will rank behind our charge

NB For all Scottish applications where the first charge is registered to one of the companies listed below, we will require either a DOP, Maximum Liability figure or confirmation from the first mortgage lender that the mortgage is not "open plan" or "flexible"

- Virgin/RBS One Account
- Nationwide
- Woolwich/Barclays
- Clydesdale
- Santander

BSQ/Mortgage References

If the mortgage profile appears on the credit search, you do not need to include a BSQ unless one of the following also applies:

- there are more than one current mortgage accounts
- the mortgage is flexible/open plan
- no payment is confirmed on the search
- the payment profile is inconclusive i.e. no clear consecutive payment history
- the payment profile is erratic with a history of adverse

NB Where the mortgage balance or the customers' estimated valuation differs, in either direction, from the initial figure submitted, the deal may be subject to a re-price.

Land Registry

Disponer Certificates

Where the Land Registry has the following (or similar) restriction:

***No disposition of the registered estate by the proprietor of the registered estate is to be registered without a certificate signed by a conveyancer that the conveyancer is satisfied that the person who executed the document submitted for registration as disponor is the same person as the proprietor*.**

We will require the applicants to get a Solicitor to complete a Disponer Certificate to be returned with the Mortgage Deed. The Certificate should have the following wording on the below example, be on the Solicitors headed paper and signed by the individual Solicitor:

Date: XX/XX/XXXX

Title Number: ABC1234

Property: 123, Any Street, Any Town, AB1 2CD

Lender: UK Mortgage Lending Ltd

I the undersigned, as solicitor for (apps names), certify that I am satisfied that the person who has executed the Mortgage Deed submitted for registration as disponer is the same person as the proprietors of registered title ABC1234.

Signed by ……

Name: John Smith

Job Title: Solicitor

Tenants In Common

Pepper Money are not able to process an application where a Tenants in Common restriction is present on the Land Registry Search.

The restriction at Land Registry is as follows:

RESTRICTION: No disposition by a sole proprietor or the registered estate (except a trust corporation) under which capital money arises is to be registered unless authorised by an order of the court

The only exception to this is where both applicants are proprietors on the Land Registry **and** are both party to the loan.

If you have any queries around the acceptability of this please refer to our Referrals team.

Minor Amendments Form

A Minor Amendments Form is required where a change is needed on the Land Registry. The form needs to follow the below example with the items in **bold** amended to the applicants' circumstances. Please note the form must be signed by all parties to the loan.

XX/XX/XXXX

HM Land Registry

Title Number : **ABC1234**

Property: **123 Any Street, Anytown, AB1 2CD**

Lender: **UK Mortgage Lending Limited**

I/we **James John Smith and Helen Louise Doe** authorise UK Mortgage Lending Limited and/or their solicitors Robertsons Legal Limited to:

· make minor amendments to transaction documentation lodged for registration at HM Land Registry and initial those amendments on our behalf; and

· apply to update the proprietorship register where a variation in name has been identified and appropriate evidence to account for the variation accompanies this application.

Signed …….

James John Smith

Dated ……

Signed …….

Helen Louise Doe

Dated……

Valuations

A valuation will not be required by you for the majority of Pepper Money cases. This includes high value properties and

flats.

In the instances where a valuation will be required you must ensure that –

- Valuations are carried out to a reliable standard, to satisfy both the authorised Broker and Pepper's minimum requirements.
- The surveyor selected, to complete the property valuation, meets the standard laid down by RICS. The surveyor(s) you refer to must, at all times, be professionally competent and sufficiently independent to be impartial and objective.

The Pepper Money system will indicate whether or not you need to obtain a valuation and in the event a valuation is required, the Pepper Money system will indicate the type required, in each case as follows:

Price Guaranteed – No Valuation Required
Price subject to a maximum LTV X% - Drive by
Price subject to a maximum LTV X% - Full Valuation Required

The type of valuation required may change dependent on the second charge mortgage details. **We reserve the right to request an alternative method of valuation, to that generated by our system, at our discretion.**

Where 'No Valuation Required' is displayed, there is no requirement to submit a valuation with the packaged case.

Where 'Drive by' or 'Full Valuation Required' is displayed a Valuation must be arranged through Pure Panel Management Ltd.

Pure Panel Management Ltd, *5 Diamond Court, Kingston Park, Newcastle Upon Tyne, NE3 2EN.*
Tel: 0191 2142459
E-mail: info@pure-pm.com

If a Full Valuation or a Drive by Valuation are required, you must ensure that the following are complied with:

- Each valuation report must be completed on Pepper Money's standard valuation forms and instructed by the broker who has submitted the application to us.
- Photographs are included in each drive-by valuation.
- The valuation normally remains valid for 90 days from the date of inspection.
- The valuer's office must be within a 25 mile radius of the property being surveyed. You must ensure that our approval is obtained for each valuation carried out over this limit.
- Coal mining reports will not be required, however, you must ensure that a Damp, Timber or Electrical report(s) is/are obtained and submitted when specifically requested by the valuer.
- A Structural Engineers Report is obtained and submitted when requested by the valuer.
- If the property is deemed to be in a flood risk area, we may request sight of buildings insurance specifically including flood cover.

If an amended valuation is submitted, you must ensure that details of all changes, including reason for amendment, are provided by the valuer.

The Property and LTV

Minimum property value: **£100,000** (Prime), **£85,000** (XLTV)

Maximum property value: **£1 million** or **£1.5 million (Greater London area only) to a maximum of 100% LTV, where applicable.**
Any property valued up to and over **£1.5 million will be acceptable subject to a maximum LTV of 75%.**

For the above purpose you must treat the following postcode areas as Greater London:

WD, EN, HA, UB, TW, KT, N, NW, W, WC, SW, SM, CR, E, EC, SE, BR, IG, RM, DA

If an application falls outside the above criteria, please contact us and provide details and discuss with us before submitting an application.

You must ensure that the property is (a) a residential home, (b) owner occupied, and (c) in England, Wales and mainland Scotland, and (d) that each applicant is resident at the security property.

Where the property is in the Scottish Islands, the maximum LTV is **65%**. In each such case, the property must not be a "croft" and a full valuation must be provided.

Ex-council properties still within the pre-emption period are eligible. You do not have to factor the outstanding discount into the LTV calculations. NB High LTV products are not available under these circumstances.

Leasehold properties are eligible but must have an unexpired term of **40 years** remaining at the end of the second charge mortgage term.

If the property has both leasehold and freehold titles, our charge will be taken over both.

If the property is for sale when the valuation is completed, you must obtain and submit a written confirmation from [each] estate agent involved, that the property has now been removed from the market.
A comprehensive, although not exhaustive, list of acceptable and unacceptable property types is listed here for you:

Acceptable Property Types

Traditional Construction using traditional materials
Modern Flats – Framed and Clad
Hardwood timber framed period houses
Modern softwood timber framed houses and flats
Cross wall construction using traditional materials
Poured concrete systems – Wimpey No Fines, Laing Easi-form (post 1945) and Mowlem
Ex Prefabricated Reinforced Concrete houses (PRC) - Completion Certificate must be provided:

Designated PRC houses and bungalows repaired under PRC Homes Ltd Repair Scheme or Non-Traditional Homes Appraisal Scheme Category 5 (as confirmed by a NTHAS Structural Engineer) - providing all adjoining properties have also been repaired. To be acceptable there must be either a PRC Homes Ltd Certificate or confirmation by a civil or structural engineer that the repair scheme was licensed by PRC Homes Ltd prior to its demise in September 1996. Recent repair schemes completed to PRC or NTHAS specification may be acceptable where there is either an insurance backed warranty or certification of the repair by a civil or structural engineer subject to key requirements also being satisfied.

Acceptable subject to a Structural Engineers Report and satisfactory comments on saleability and demand from the valuer

- Softwood timber framed houses of period design and character
- Lightweight steel frames – brick, reconstituted stone or rendered block external cladding
- Modern Methods of Construction (MMC)
- Large Panel System houses
- High alumina cement
- Pre 1950 concrete constructed properties in Cornwall
- Pre 1950 concrete constructed properties in parts of Devon
- Asbestos

Unacceptable Property Types

- Freehold flats and maisonettes in England and Wales
- Leasehold flats and maisonettes in Scotland
- Flat Roof Properties (will review upon referral)
- Ex Local Authority flats and maisonettes if the flat is in a block over 4 storeys in height or with more than 50 units in the block (will review upon referral) - Valuer to provide photographs as part of the full valuation report
- Shared Ownership or similar schemes
- Commercial Properties
- Grade 1 listed properties
- Flats over or attached to commercial properties (will review upon referral)
- Tyneside flats
- BISF
- Laing Easi-form pre 1945
- Properties deemed defective under the Housing Defects Act 1984 and Housing Act 1985
- Properties valued at less than£100,000 (Prime) or £85,000 (XLTV)
- Vacant properties
- Properties with agricultural restrictions

Security Calls – Employment Checks and Speak-withs

There are two methods which Pepper Money can employ to verify an applicants income: Via a Job Check (telephone call or email) or Employment Reference letter.

Job Checks:

We will not normally carry out a job check on applications but reserve the right to carry out an employment verification call on any application should we deem it necessary. As a responsible lender, if we deem the call to be unsatisfactory, we will look to verify the applicant(s) employment in a different manner

Speak-Withs

At the final stage of the second charge mortgage process, our normal practice is to carry out “speak-withs” with all

applicants. We can carry out these on the work, home or mobile numbers. The call will include reference to some details relating to, amongst others, identity, affordability, purpose of the mortgage, customer understanding and the mortgage. We will not proceed with a mortgage unless and until such a "speak with" call has been carried out. Each call will take approximately 7 minutes so please ensure customers are aware of this prior to passing them through to us.

Underwriting Discretion

Pepper Money recognises that there will be occasions where second charge mortgage applications may not meet our standard lending criteria but do still represent a good overall risk to the business. In the instances where this occurs Pepper Money has the capability to review and, where appropriate, provide an approval in principle for applications to proceed subject to meeting the individual approval details given. In the instances where you wish to submit a case to us that falls outside our standard lending criteria please email the mortgage application details and reasons for requesting approval to proceed outside our standard lending criteria to 2ndcharge.referrals@pepper.money

In addition, we retain (as part of our criteria) an absolute discretion as to:

- Whether or not to accept an application.
- Whether to apply more restrictive, less restrictive or additional criteria than the criteria set out in this document
- Having no obligation or duty to provide information (including reasons) for our decisions.

Vulnerable Borrowers

Any individual with limitations in mental capacity and / or financial literacy can be described as a “Vulnerable Borrower”. Whether that person has the ability to understand, remember and weigh up relevant information will determine whether they are able to make a responsible decision based on that information.

You must adhere to the guidance published by the FCA that is noted within their vulnerable customer guidance.

You must have and maintain at all times adequate policies and procedures in place to deal with Vulnerable Borrowers in the correct manner without discrimination or unfair treatment.

Where you have any reason to believe that an applicant has a mental capacity or financial literacy limitation, the applicant should not be regarded as being unable to make a decision unless reasonable steps have been taken first to assist without success. You must always provide assistance to these applicants in clear language to help them make decisions, rather than immediately declining their application. In all instances, you must ensure that you obtain “expressed consent” from the customer(s) to record and pass over to us any information concerning vulnerability.

Where we become concerned that an applicant may not have the mental capacity and ability to understand the second charge mortgage illustration or implications of this illustration, we may require independent legal advice (ILA). All such cases identified by you must be referred to Pepper Money at the initial stage of application with full details noted of any additional steps you have already taken to assist customer understanding.

You must ensure that any health issues that may be relevant to the consideration of the second charge mortgage application are captured as part of the fact find conversation and entered into SWAN accordingly.

If we deem independent advice necessary, you must arrange for the Pepper Money ILA form to be signed by both the applicant and an independent SRA registered solicitor. You must also arrange for the Pepper Money Mortgage Deed or Standard Security to be signed at this time and witnessed by the solicitor and for the Pepper Money Binding Offer document to be present at this time and for all details contained within these documents to be conveyed to each applicant ensuring that he/she fully understands the implications of taking out a second charge mortgage.

Our Solicitors' Details

Pepper Money use the services of two solicitors in the UK:

- England And Wales applications – **Robertsons Solicitors**, 6 Park Place, Cardiff, CF10 3RS
  Tel: 02920 385170 / 02920 381811 Fax: 02920 381817 Email: peppermoney@robsols.co.uk

- Scotland applications – **Wilson McKendrick Solicitors Limited**, Queens House, 29 St Vincent Place, Glasgow G1 2DT
  Tel 0141 222 7954 Fax: 0141 404 2642

You must obtain a Scottish search **direct** from Wilson McKendrick for every Scottish case via: search@wilsonmckendrick.co.uk.

Wilson McKendrick will also provide you with a completed Pepper Money Standard Security. You will need to send this to Pepper Money for us to issue to the applicant(s) along with the Binding Offer. Please note that you must provide the full name of any witness who lists any abbreviations of their name(s).